

1-1-1984

## Washington report, vol. 13 no.25, August 13, 1984

American Institute of Certified Public Accountants.

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_news](https://egrove.olemiss.edu/aicpa_news)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 13 no.25, August 13, 1984" (1984). *Newsletters*. 957.  
[https://egrove.olemiss.edu/aicpa\\_news/957](https://egrove.olemiss.edu/aicpa_news/957)

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

# AICPA *Washington Report*

---

August 13, 1984, Volume XIII, Issue 25

FEC	Senate approves voluntary restraints by news media . . . . .	p. 1
GAO	Auditors' findings often unresolved . . . . .	p. 1
NCUA	New internal auditor appointed . . . . .	p. 1
SBA	Management assistance rule proposed . . . . .	p. 2
	Congress extends the Small Business Development Center . . . . .	p. 2
Treasury	Taxpayers' appeals affected by House legislation . . . . .	p. 2
Special	AICPA testifies on flat tax . . . . .	p. 3
	AICPA 7th Annual Savings Institution Conference . . . . .	p. 3

desired results are being achieved from the programs. She also will carry out investigations as directed by the Chairman. Prior to becoming Internal Auditor, Mrs. Perry served as Comptroller for the NCUSIF. For further information, contact NCUA Public Information at 202/357-1050.

#### SMALL BUSINESS ADMINISTRATION

Management assistance is the title of a proposed rule by the SBA to amend its regulations to include professional and trade associations as an identified volunteer program (see the 8/9/84 Fed. Reg., pp. 31899-01). The proposed changes, according to SBA, are necessary in order to qualify those professional and trade associations for reimbursement of out-of-pocket expenses when providing counseling and training assistance to small business owner/operators as a service through the SBA. Written comments must be submitted on or before 9/24/84. For further information, contact Barbara Jackson at 202/653-6287.

#### SMALL BUSINESS ADMINISTRATION

The Small Business Development Center (SBDC) will be extended for six years under an amendment to the Small Business Act passed by the Senate on 8/6/84, and the House on 8/9/84. SBDC Program, first implemented in 1976 on a pilot basis, makes available management counseling and technical advice to primarily university operated small business training centers in 32 states and the District of Columbia. According to the House Committee on Small Business, almost 300,000 small businesses have received technical and management assistance under the program. Under the SBDC program, states provide funds to match federal assistance. Major new provisions in the legislation include a requirement that at least 50 percent of the total non-federal matching funds required to be provided by the SBDC consist of actual cash (not just credit for expenditures) made by others such as university sponsors; a requirement that the grants or cooperative agreements with the SBDC be on either a fiscal year or calendar year basis; reinstatement of an expired provision, which requires applicants to conform to any state-approved plan; and, an SBA proposal for biannual evaluation of each SBDC. The measure will go next to the President for signing. For further information, contact Evon Ervin at 202/225-6020.

#### TREASURY, DEPARTMENT OF

Legislation to "reform the way taxpayers can appeal cases against the IRS to the U.S. Tax Court" was introduced on 8/9/84, by Rep. Fortney H. Stark (D-CA), Chairman of the Ways and Means Select Revenue Measures Subcommittee. The bill requires taxpayers in a dispute with the IRS to exhaust the IRS's internal appeals process before placing the case in the U.S. Tax Court. "This will ensure that most cases are settled as they are now, in the administrative process but without incurring the extra expenses, time, and the manpower required when a case is needlessly filed before the Tax Court," according to Rep. Stark. He also noted that the Court's inventory of tax cases, as of 6/30/84, had risen to 60,502, while in fiscal year 1983, the Tax Court issued only 2,125 opinions. In addition to requiring that a taxpayer involved in an unagreed tax exam exhaust his administrative remedies to the Appeals Division within the IRS prior to being allowed to obtain Tax Court jurisdiction over the case, the bill also removes "an administrative piece of redtape" by permitting the IRS to terminate statutory notices of deficiency which they may have issued by mistake. No hearings on the bill, H.R. 6125, have yet been announced.

## FEDERAL ELECTION COMMISSION

Voluntary restraints by news media in projecting election results, in the form of a non-binding resolution, was approved by the Senate Commerce Committee on 8/8/84. Committee Chairman Sen. Robert Packwood (R-OR) said that the resolution "is based upon the concerns that early projections of election results may have decreased voter participation, affected close elections, and undermined the belief of citizens in the importance of their vote." Provisions of the resolution include that the news media should voluntarily refrain from projecting or characterizing results of elections before all polls for an office have been closed and that the news media should adopt guidelines to assure that exit polls are not used to project or characterize results of elections before all polls for an office have been closed. The resolution passed the U.S. House of Representatives on 6/26/84, by a vote of 352-65.

## GENERAL ACCOUNTING OFFICE

"Program managers fail to seek recovery of nearly 70 percent of Federal grantees' expenditures questioned by auditors," according to Rep. Jack Brooks (D-TX) at a 8/8/84 hearing of the House Government Operations Subcommittee on Legislation and National Security. Mr. Brooks based his statement on a review of management practices undertaken by the GAO at his request to determine the reasons for the disparity between the amount of grant recipient expenditures questioned by the auditors and the amount of those questioned costs that program managers actually seek to recover. That survey, which examined six major agencies, found that government program managers used questionable procedures to reject auditors' fundings involving \$163 million in federal aid distributed to state and local governments and other recipients. According to Mr. Frederick Wolf, Director of GAO's Accounting and Financial Management Division, the GAO found that program managers agree with auditors on about 30 percent of the costs auditors question; that the government allowed costs previously questioned by auditors on the basis of promises by grantees to take corrective action or reaudit. Often these corrective action plans are vague, do not address the problems identified by the auditors or are not implemented, yet the money is considered spent and is not required to be repaid. Further, Mr. Wolf noted that questioned costs were allowed without adequate documentation of the expenditures. According to Chairman Brooks, "The lack of follow-through is a serious problem. If an auditor locates a questionable expenditure, the recipient should be required to demonstrate that Federal funds were, in fact, used properly. If they were not, they ought to be paid back." GAO recommends that auditors remain involved in the process until the audits are "completely" resolved and that the Inspectors General become more involved in the audit follow-up by insuring compliance with the Comptroller General's audit resolution standard. Additionally, the GAO believes that OMB should incorporate their recommendations into OMB Circular A-50 and establish definitions of questioned cost and savings for the purpose of reporting audit resolution data to Congress. Other witnesses at the hearing included OMB Deputy Director Joseph R. Wright, Jr., who noted that OMB had initiated agency "Management Reviews" and was working on a clarification of the definition of "resolutions." This hearing was the fourth panel review in five years of procedures used to follow up and resolve auditors' findings and recommendations.

## NATIONAL CREDIT UNION ADMINISTRATION

A new internal auditor, Joan Perry, has been named by the NCUA, according to an 8/6/84 release. Mrs. Perry succeeds Lou Acuna, who is now Director, Department of Supervision and Examination. In her new post, Mrs. Perry will conduct internal audits of NCUA operations to evaluate financial compliance, economy, and efficiency of the programs, and to determine if

SPECIAL: AICPA TESTIFIES ON FLAT TAX

Testimony on flat rate income tax and alternative tax systems was given by the AICPA Tax Division Executive Committee Chairman Albert Ellentuck before the Senate Finance Committee on 8/9/84. Referring to a paper on these subjects submitted to the Committee, Ellentuck made several observations: the assertion that a flat tax is needed to reach high income taxpayers ignores the presence in the tax law of the alternative minimum tax; progressivity has been a basic tenet of our tax system and it would be foresaken by the flat tax; the average taxpayer expects that the flat tax would relieve his tax burden and he will be disappointed; the flat tax would not appreciably simplify the tax law for the bulk of taxpayers; the underground economy will not be induced to surface; and, the economy will be severely impacted by a major change of the tax system. Industries such as real estate, charities, and their beneficiaries, states and municipalities and their residents, and the home owner would be drastically affected. Ellentuck went on to recommend a moratorium on major tax legislation current with creation of a national commission on tax simplification, and the issuance of recommendations from this commission. Among the recommendations contained in the AICPA paper was that proposed tax legislation should be given a "complexity rating" by a competent, impartial panel. It was suggested that for Congressmen wishing to promote simplification of the law, the rating could serve as a valuable guide.

SPECIAL: AICPA 7TH ANNUAL SAVINGS INSTITUTION CONFERENCE

The Seventh Annual AICPA National Conference on Savings Institutions, including a luncheon address by Sen. Robert Dole, Chairman, Senate Committee on Finance, will be held in Washington, D.C., on 9/12-14/84. Major topics of the Conference include: current developments in thrift accounting, auditing, and taxation; investment bankers' look at financing opportunities for thrifts; a discussion of thrift lending operations and accounting; a review of the activities of the FHLBB General Counsel's Office and the Office of Examinations and Supervision; and, a two hour question and answer session with leading thrift accountants, executives, and regulators. For further information, write the AICPA Meetings Department, 1211 Avenue of the Americas, New York, NY 10036-8775, or call 212/575-6451.

For additional information, please contact Stephanie McCarthy, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

## **AICPA** *Washington Report*

**American Institute of Certified Public Accountants**

1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL